

The SEPA-compliant Electronic Database Alignment (SEDA) Additional Optional Service

1 - Objective

The SEPA Direct Debit Schemes, respectively "Core" and "Business-to-Business" (hereinafter SEPA DD or SDD), set out by the EPC, allow collections of funds from a Debtor's account, held by his/her PSP (Debtor PSP). Any single collection is initiated by a Creditor via his/her PSP (Creditor PSP), on the basis of an authorisation ("mandate") previously given by the Debtor to the Creditor.

In Italy, the former national direct debit service (called "RID") had several different basic characteristics with respect to the SDD Schemes.

The Additional Optional Service called SEDA (SEPA-compliant Electronic Data Alignment) was developed to meet Italian companies' needs to maintain the features of the National Electronic Database Alignment of direct debit mandates (AEA procedure) in the SEPA DD Schemes.

2 – What is SEDA

SEDA is an additional service to the SEPA DD which replicates the functions of the former national AEA procedure and allows the beneficiaries of SEPA DDs to send and receive information on authorisations of direct debits through an electronic exchange with their PSP (called "Alignment PSP").

This AOS is offered by PSPs to Creditors through two different modules: the "Basic" and the "Advanced" one.

The "**Basic**" **SEDA module** allows the Creditor to:

- have the confirmation, before sending an SDD collection, about the correctness of the information on the SDD mandate;
- be sure that the Debtor PSP would debit the Debtor's account only after having successfully checked and aligned the information referred to, respectively, in the SDD transaction and in the related mandate; be sure about the systematic alignment of the information stored in the Creditor's and Debtor PSP's mandate databases whenever any mandate changes or cancellations occur.

More specifically, the "Basic" module enables the Creditor to have an electronic alignment with the Debtor PSPs, through his Alignment PSP, in order to manage correctly all SEPA Direct Debit collections.

The messages exchanged within the "Basic" SEDA module convey the following information about:

- a new Direct Debit mandate signed by the Debtor and given to the Creditor;
- the amendment of the mandate data initiated by the Creditor;
- the cancellation of the mandate initiated by the Creditor;
- the amendment of the mandate data initiated by the Debtor PSP;
- the cancellation of the mandate initiated by the Debtor PSP.

The "**Advanced**" SEDA module adds to the "Basic" the possibility of a Debtor Bank Mandate driven flow: SDD mandates are signed by the Debtor at his/her own PSP and the Debtor PSP stores the SDD mandates on behalf of the Creditor. The additional message foreseen within the "Advanced" SEDA module is:

- the request for a new Direct Debit mandate signed by the Debtor and given to the Debtor PSP.

The SDD mandates given by the Debtors to the Creditors ("Basic" module) or to the Debtor PSPs ("Advanced" module) must include all information defined in the SDD Core and B2B Rulebooks.

The mandates given to a Creditor who adheres to SEDA must include also the following information to allow the Debtor PSP to check the validity of the mandate: surname and name of the subscriber; tax identification number of the subscriber.

3 – Role of the parties

The parties involved in SEDA are the following:

- **Creditor:** is the party, which must be a "non-consumer", which uses SEPA direct debit services and the related SEDA service, as identified by one or more identification codes ("Creditor Identifiers"¹);
- **Alignment PSP:** is the PSP that offers the SEDA service to the Creditor and shall be unique for each *Creditor Identifier*. The Alignment PSP:
 - signs with the Creditor the contract for the offer of the SEDA service;

¹ The *Creditor Identifier* (corresponding to data element 2.7 of ISO 20022 standard "Creditor Scheme Identification") consists of a code with a maximum of 35 alphanumeric characters broken down as follows: from the 1st to 2nd position, the ISO code of the country in which the code was issued; from the 3rd to 4th position, the check digits calculated using the MOD97-10 algorithm (ISO7064); from the 5th to 7th position, the Business Code as indicated by the Creditor for its business needs (if not indicated, the default value, "ZZZ" is used); from the 8th to 35th position, the national identification code.

- transmits/receives SEDA messages to/from Debtor PSPs on behalf of the Creditor;
 - participates in the SDD Core Scheme and possibly in the SDD B2B Scheme as well;
 - is a PSP that also acts as "Creditor PSP" for the Creditor (PSP that performs the SEPA direct debit collections);
- **Debtor PSP:** is the PSP that participates in the SDD Core Scheme and possibly in the SDD B2B Scheme as well, to which the SEPA direct debits sent by Creditors participating in the service are addressed;
 - **Debtor:** is the party that authorises SEPA direct debits on the account held at the Debtor PSP; subject to the choice made by the Creditor, these debits may be managed in accordance with the rules of the SEDA service. The Debtor has no active role within the SEDA service.

SEDA messages are exchanged through the parties qualified to operate in the role of **Clearing Mechanisms** (CMs) in the SEPA Direct Debit Schemes.

4 - Participation

The participation in the SEDA service ("Basic" or "Advanced" modules) is optional for Creditors and for PSPs.

All PSPs that adhere to the SDD Core Scheme may participate in SEDA.

Participation in the ("Basic" or "Advanced") services by a PSP implies the offer of the SEDA services at least acting as Debtor PSP, whilst the offer of the SEDA services as Alignment PSP is possible for all the PSPs which also act as Creditor PSP for any given Creditor.

PSPs communicate their participation to SEDA and also any change in the membership data or a request for cancellation, by an online application within specific time slots defined by ABI that replicate the time slots defined by EPC for participation in the SEPA Schemes.

Additional information about time slots and procedure for adherence are available on the website www.sepaitalia.eu or may be requested at the address naso@abi.it.

ABI, as manager of the service, in addition to the above-mentioned activities:

- collects the adherence requests;
- communicates the adherence requests received to the manager of the SEDA operational directory;
- updates the "Register of SEDA Participants" which is made public on the website www.sepaitalia.eu.

Creditors wishing to adhere to the service shall provide their own Alignment PSP with the following data and information which is registered in a specific directory (CRI000 directory):

- the Creditor Identifier code/s they use in order to be uniquely identified for their own operations in the SEDA service;
- the SEDA module chosen ("Basic" or "Advanced") in connection with each Creditor Identifier code indicated.

5 - Message standards

The SEDA messages exchanged among participating PSPs are:

- exchanged in File transfer mode and based on the ISO 20022 "Payments Mandate" standards (XML language);
- processed using the same infrastructures used by PSPs for SDD Schemes within an interoperability framework among Clearing Mechanisms (CM);
- compliant with the exchange and intermediation roles provided by the SDD Schemes (each PSP may choose among different Clearing Mechanisms which can also differ from those that each PSP might be choosing for participation in the SEPA Schemes).

The rules concerning messages are illustrated in the "Implementation Guidelines and Interoperability Agreement" document (available at this link: <http://www.sepaitalia.eu/welcome.asp?Page=2701&chardim=0&a=a&langid=1>).

6 – Business model and legal framework

At interbank level, SEDA remuneration model is based on the application of a multilateral interchange fee (MIF) paid by the Alignment PSP to the Debtor PSP to cover the costs of the activities performed by the latter to make it possible for the Alignment PSP to offer SEDA to Creditors.

At customer to PSP level, the remuneration for the SEDA service is freely agreed between the Creditor and the Alignment PSP.

Two different MIFs are set for SEDA:

- A MIF for each SEDA active mandate issued and stored by the Creditor;
- A MIF for each SEDA active mandate issued and stored by the Debtor PSP.

MIFs are calculated at the end of each calendar quarter and are charged to the Alignment PSP's payment account through a SDD collection.

The MIF is capped at the level of costs as resulting from a cost study analysis based on data provided by Debtor PSPs.

The level of the MIFs in force are published on the websites: www.abi.it and www.sepaitalia.eu.

7 - Service activation date

The SEDA service is in place from October 14th, 2013.

The business model and the legal framework described above, are effective from January 1st, 2018.

8 - Links

More detailed information about the service are available at the following links:

[http:// www.sepaitalia.eu](http://www.sepaitalia.eu)

<http://www.sepaitalia.eu/welcome.asp?Page=2701&chardim=0&a=a&langid =1>